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FINANCING THE KIND OF PUBLIC SCHOOLS NEW JERSEY NEEDS.

BY- NORTON, JOHN K.

NATIONAL COMMITTEE FOR SUPPORT OF THE PUBLIC SCHS.

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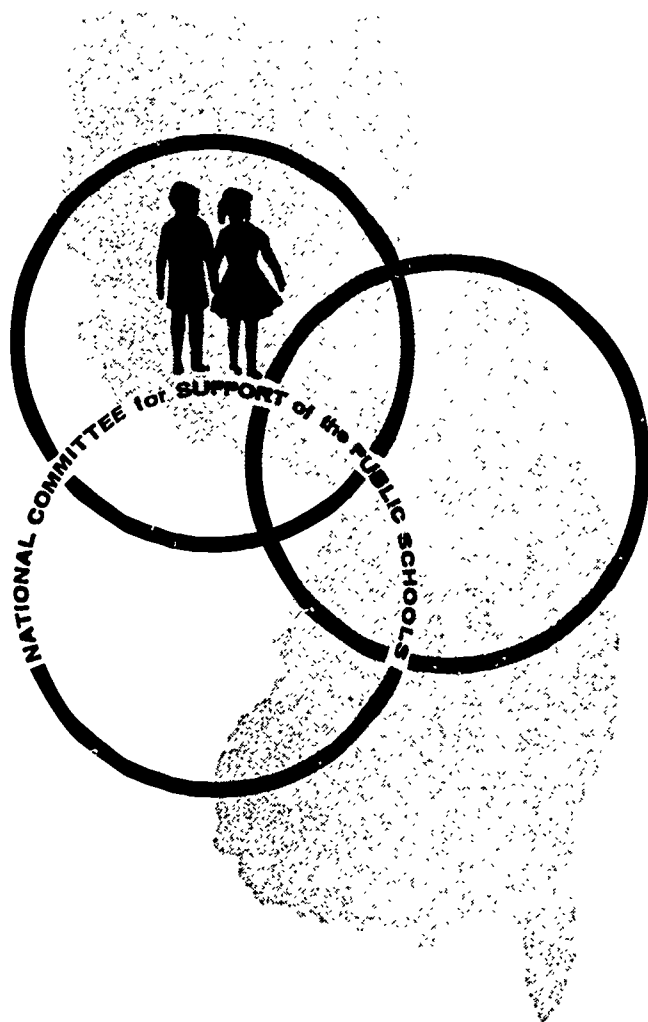
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AN ANALYSIS OF EDUCATIONAL PROBLEMS, THE COST OF SOLVING THEM, AND METHODS OF TAXATION BY WHICH ADEQUATE REVENUES COULD BE OBTAINED WAS MADE BY THE NATIONAL COMMITTEE IN RESPONSE TO REQUESTS FROM NEW JERSEY RESIDENTS. THIS INITIAL REPORT HAS VALUE NOT ONLY TO CITIZENS OF THAT STATE BUT ALSO TO ALL AMERICANS INTERESTED IN IMPROVING THE SCOPE, QUALITY, AND METHOD OF FINANCING PUBLIC EDUCATION. SOME EDUCATIONAL PROBLEMS FACING NEW JERSEY WERE--(1) THE SCHOOLS HAD TO PROVIDE NOT ONLY FOR NORMAL POPULATION GROWTH BUT ALSO FOR IMMIGRATION, AND A BACKLOG OF UNFILLED NEEDS, (2) THE STATE RANKED LOWEST IN VOCATIONAL EDUCATION ENROLLMENT PER 1,000 POPULATION AMONG THE 50 STATES, (3) ONE OF EVERY SIX PUBLIC SCHOOL PUPILS ATTENDED SCHOOL IN THE SIX OLDER CITIES, (4) HIGH SCHOOL DROPOUTS ENCOUNTERED SEVERE HANDICAPS IN SECURING EMPLOYMENT, (5) ONE QUARTER OF A MILLION ADULTS WERE FUNCTIONAL ILLITERATES, AND (6) THE NEED EXISTED FOR 2-YEAR COLLEGES. THE EFFECTS OF AN OBSOLETE AND INADEQUATE PATTERN OF PUBLIC SCHOOL FINANCE INDICATED THAT THE RISING EDUCATIONAL COSTS FALL MORE ON REAL PROPERTY. NEW JERSEY IS IN A POSITION TO INCREASE ITS SUPPORT OF PUBLIC SCHOOLS AND BRING THEM INTO LINE WITH THE DEMANDS MADE UPON THEM, THEREBY ACHIEVING GREATER ECONOMIC GROWTH AND PRODUCTION IN A HIGHLY INDUSTRIALIZED AREA. THIS DOCUMENT IS AVAILABLE FOR 50 CENTS FROM NATIONAL COMMITTEE FOR SUPPORT OF THE PUBLIC SCHOOLS, 1424 SIXTEENTH STREET, N.W., WASHINGTON, D.C. 20036. (WB)

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Financing the Kind of Public Schools NEW JERSEY Needs



A report prepared by
John K. Norton
for the

National Committee for Support of the Public Schools
1424 Sixteenth Street, N.W.—Washington, D.C., 20036

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Foreword

This report, entitled "Financing the Kind of Public Schools New Jersey Needs," was prepared for the National Committee for Support of the Public Schools by its Director of Studies, John K. Norton.

An analysis of New Jersey's educational problems, the cost of solving them, and methods of taxation by which adequate revenues could be obtained, was made in response to requests from a number of New Jersey residents. It is the first of several studies being contemplated by the National Committee which will explain how various states, and their local communities, are meeting the crucial problem of public school finance.

Meanwhile, this initial report has value not only for the people and officials of New Jersey, but for all Americans who are interested in improving the scope, quality, and methods of financing public education. It should be especially helpful to citizens whose states have similar, if not identical, problems to face in providing the much larger revenues required for a modern system of education.

Jefferson said what all educators and all Americans who are interested in improving their schools should bear in mind: "Laws and institutions must go hand in hand with the progress of the human mind. As that becomes more developed, more enlightened, as new discoveries are made, new truths disclosed, and manners and opinion change with the change of circumstances, institutions must advance also, and keep pace with the times."

Agnes E. Meyer, Chairman
National Committee for Support
of the Public Schools

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I

The People and the State: A Factual Portrait

Each passing year confirms the indispensability of good schools for a people who would consolidate and add to their gains. Education is not only a prerequisite to making a good living, but also to making a good life. The educated person has a key to the lore of the ages as well as to the rapidly multiplying knowledge of this scientific era. Education increases the individual's understanding of life and its goals. It provides the foundations upon which family well-being, civic responsibility, and the institutions of a free society can be built. Education is mankind's one best hope of achieving worthy individual and social destiny. There is no substitute for good education in today's complex and changing world.

Such are the promises of quality education. That they are not fully realized is due to our failure as a people to visualize and to finance the kind of schools demanded by modern conditions.

Accordingly, two of the high priorities among the needs of the people of the United States are: clearer definition of the scope and purposes of public education; and the provision of funds to meet them.

In this report, our specific concern is with a single state—New Jersey, one of the most dynamic states in the nation. New Jersey's growth in population is more rapid than in the country as a whole. In social and economic progress, it stands high among the 50 states. Its schools rank high in performance and in average support per pupil. New Jersey can take pride in its accomplishments.

But New Jersey, like other rapidly changing industrial states, has many social, economic, and educational problems. These have been pointed out by a number of New Jersey studies of which the state's *Tenth Report of the Commission on State Tax Policy* is a recent and representative example. Left unsolved, these problems could serve as a block to further achievement. This is especially true of New Jersey's educational problems.

What, then, is this intriguing state doing to finance the kind of schools it needs? Insights on this vital question can be gained by re-

viewing some of the important characteristics of the people of the state, by considering the state's educational problems, and finally, by appraising the role which finance must play in the solution of these problems. First, suppose we take a brief look at some of the significant statistics involved.

NEW JERSEY'S POPULATION PROFILE

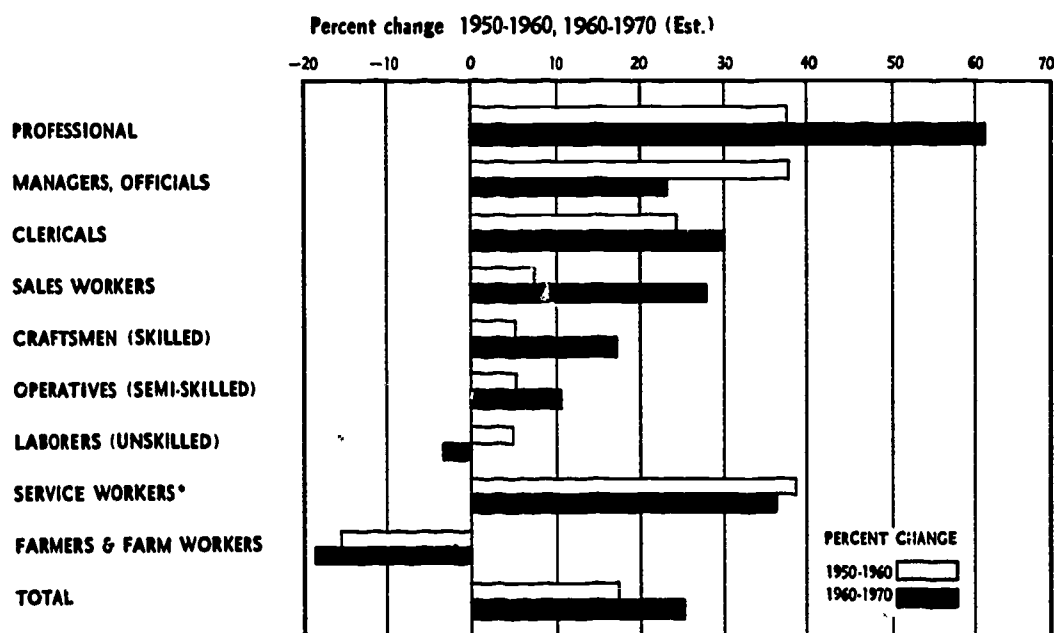
- Although New Jersey is small in area, ranking 46th among the states, it is the 8th largest state in population. Thus it is our most densely populated state—with 800 persons per square mile in 1960.
- New Jersey is also a highly urbanized state. Five and one-half million of its residents live in communities of 2,500 population or more; only 600,000 live in rural areas.¹
- Nearly two-thirds of the people of New Jersey are native to the state. Close to 30 percent are in-migrants, largely from northeastern and southern states. The balance of the population—about one in ten—is foreign born.
- During the decade 1950-1960 the population of New Jersey jumped from 4,835,329 to 6,066,782. Only 11 states in the Union exceeded this rate of growth. Estimates indicate a population of over 7,000,000 by 1970.
- New Jersey's population is relatively young and is becoming younger. One-third of the total population in 1960 was under 19 years of age. It is estimated that this group will rise to 39 percent by 1970. An increasing percentage of the population is in the school ages, 5-19.
- Public school attendance is increasing more rapidly than the total population. There are more children of school age each year, and on the average they are completing an increasing number of years in school.
- Of its 2,551,450 workers in all occupations in 1962, 2,025,100 were in non-agricultural employment. Of these 1,254,900 were in non-manufacturing employment and 770,200 were in manufacturing. Only three percent of the work force was in agriculture.
- The percentage of workers classified as professional and managerial is rising more rapidly than that of any other occupational group. Laborers and farm workers are less and less in demand. (See Chart I.)
- One-fourth of the women in New Jersey are gainfully employed. This figure will increase if it follows the trend throughout the United States.

¹Sources of Data: U.S. Department of Commerce, Bureau of the Census, 1960 and the New Jersey State Department of Conservation and Economic Development.

- The median² New Jersey family income, according to the 1960 census, was \$6,786, which is more than \$1,000 above the national figure.
- The percentage of families with high incomes in New Jersey is increasing. In 1953 less than 20 percent of households had incomes of \$7,000 and above. This rose to 38 percent in 1962. During the same decade the households with incomes of less than \$4,000 dropped from 43 to 28 percent. Despite this trend, however, technology, industrial change, and other factors have resulted in relatively high unemployment among both adult and younger workers in New Jersey.
- Unemployment among youths is especially high, as it is in other industrial states. In 1960 the percentages of male youths aged 17 to 20 who were both out of school and unemployed in New Jersey were: 11.2% for all such youths; 9.7% for white youths; and 23.1% for non-white youths.

Chart I

NEW JERSEY EMPLOYMENT BY OCCUPATIONAL GROUP



* Including Private Household

Data from: New Jersey Department of Labor & Industry, New Jersey Manpower Projections, 1960-70. Division of Employment Service, Research Series No. 9, Sept. 1961.

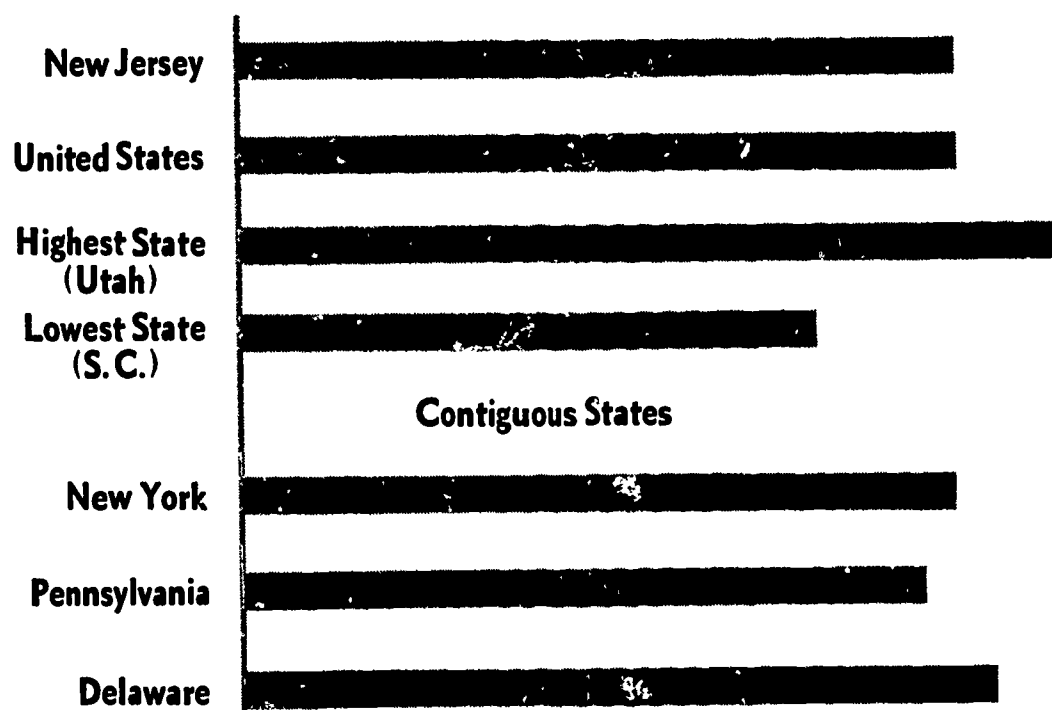
²One-half of a group is at or above the median, and one-half is at or below the median.

EDUCATIONAL ATTAINMENT IN NEW JERSEY

- The median years of schooling completed by the population of New Jersey, aged 25 years and older, in 1960 was 10.6. (See Chart II.) This figure is the same as that for the United States as a whole. The median status of New Jersey is the outcome of two somewhat opposing factors: (1) those who have had their schooling in New Jersey are above average in years of schooling completed; (2) some of those who have attended schools in other states, and especially those from southern states, are low in the number of school years completed. (See Chart III.)
- The 1960 census reported a quarter of a million New Jersey residents with less than five years of schooling. Of these, over 90,000 had never been in school and 39 percent had not reached high school.
- In New Jersey only 40.7 percent of adults, 25 years old and older, have completed four years of high school. (See Chart IV.) Labor Secretary W. Willard Wirtz recently stated that young people who enter the

Chart II

Median School Years Completed—Population Aged 25 Years and Older, 1960



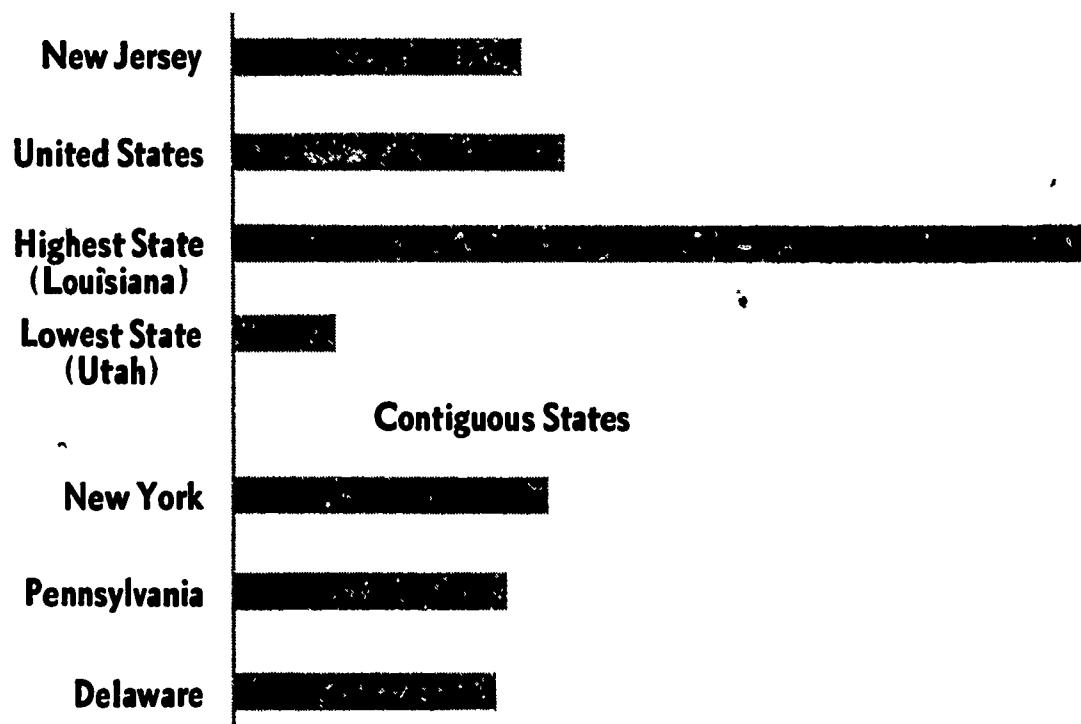
Data from: U.S. Department of Commerce, Bureau of the Census.

labor force without at least a good high school education are committing "economic suicide."

- The greatest demand in the labor market today is for those who are at least college graduates. Only 8.4 percent of New Jersey adults (aged 25 years or older) have this amount of education. (See Chart V.)

Chart III

**Percent of Population 25 Years Old and Older With
Less Than Five Years of Schooling—1960**



Data from: U.S. Department of Commerce, Bureau of the Census.

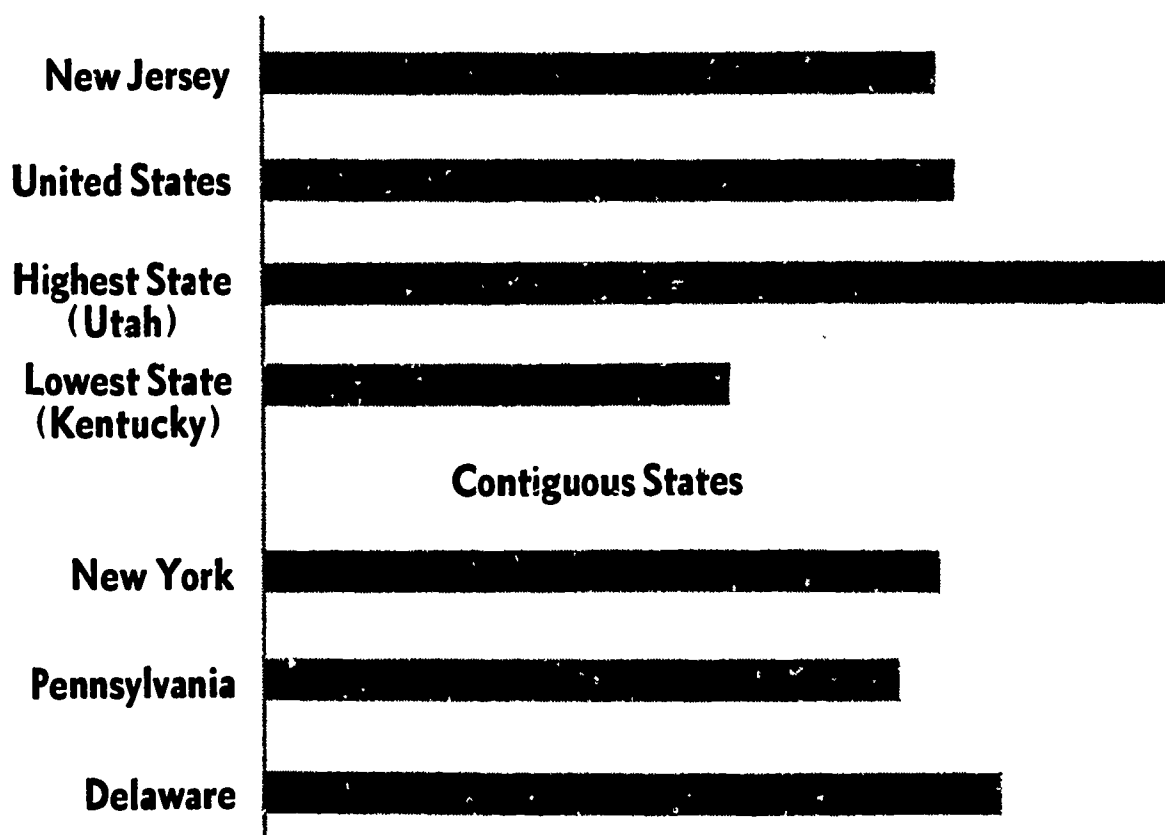
THE EDUCATIONAL CHALLENGE

The foregoing birdseye view of New Jersey holds many meanings for the future of its public schools. The state has an advanced growing economy which constantly demands a more highly educated work force. For those who have the requisite preparation, jobs are available at high rates of pay. Fortunately, this applies to a majority of the gainfully employed population of New Jersey and accounts for the state's comparatively high productivity and per capita income.

But there is a far less pleasing side of the picture. Unemployment in New Jersey is alarmingly high among youths who have failed to complete high school. It is also high among adult in-migrants from states with public schools which are less effective than those of New Jersey.

Chart IV

Percent of Population 25 Years Old and Older With
at Least Four Years of High School—1960



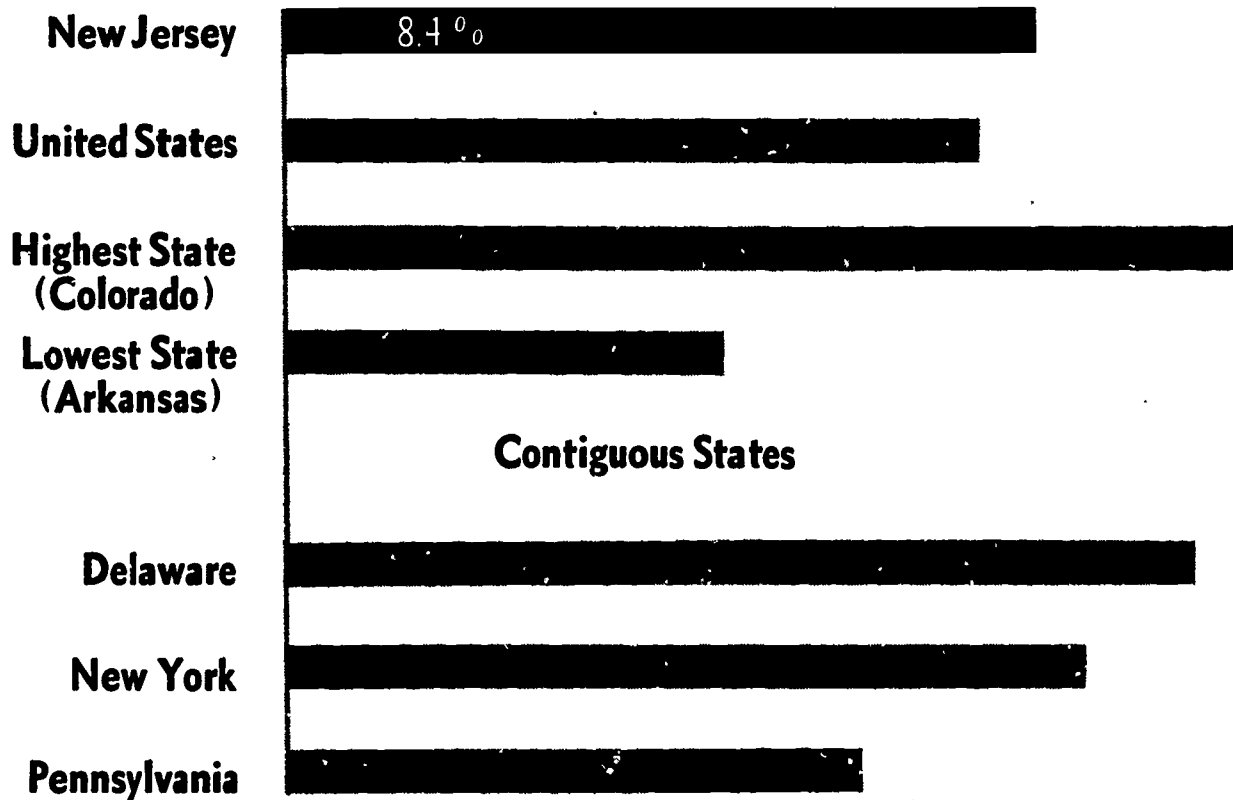
Data from: Research Division, National Education Association,
Rankings of the States, 1963. p. 37.

Science, technology, automation, mobility of population, and other factors of change are creating some critical problems as well as bringing benefits to New Jersey. Education should be a major factor in enhancing the state's advantages and in solving its problems.

The full power of education can be brought to bear, however, only if the people of New Jersey place high on their scale of priorities the development of a system of public schools which in scope and financial support are adequate to the demands being made upon them.

Chart V

Percent of Population 25 Years Old and Older With at Least Four Years of College, 1960



Data from: Research Division, National Education Association,
Rankings of the States, 1963. p. 37.

II

Educational Problems Facing the State of New Jersey

Educational problems facing the State of New Jersey are of two kinds. The first, and more easily understood, is the increase in the numbers to be educated. The second, not so well understood, calls for improvement in the educational program to meet the needs of the present diversified school population and to provide educational opportunities for those not now receiving them.

SOME UNMET EDUCATIONAL NEEDS OF NEW JERSEY

Increasing Enrollments

An increase of 104,000 elementary and secondary school pupils between now and 1966 can be predicted on the basis of children already born and living in New Jersey. Further projections estimate that the schools will have 400,000 more pupils in 1975 than are now enrolled.

New Jersey also has a backlog of unfilled school needs. In 1962-63, 50,000 pupils were attending school for less than a full day. Another 45,000 were housed in make-do rooms or buildings, including churches, community buildings, basement areas, temporary buildings and the like.¹

It appears that New Jersey will continue to grow by in-migration from other states. In the decade 1950-1960 New Jersey was exceeded only by California and Florida in this kind of growth and some in-migrants present unusually difficult educational problems over and above that of merely swelling the enrollment ranks.

Inadequate Vocational Education

New Jersey is last among the states in the number of persons per 1,000 population enrolled in courses in vocational education.² The

¹New Jersey State Department of Education, Bureau of Research. *Administrative Problems in New Jersey Public School Districts*, 1963.

²U.S. Department of Health, Education, and Welfare. *Education for a Changing World of Work*, 1963. p. 71.

trend in New Jersey is toward occupations which require increased general education and vocational and professional training. The number in the manufacturing of electrical equipment, printing and publishing, the production of technical instruments and chemical and allied products, are increasing. The numbers employed in construction, the distribution of goods at wholesale and retail levels and in providing personal services are also increasing.³ The percentage in unskilled jobs and in low paid factory work such as textile mill production is declining.

Vocational opportunities are denied many thousands of high school youths. When New Jersey, in 1962, was confronted with the need to provide courses required under the National Manpower Development and Training Act and the Area Redevelopment Program, it was severely handicapped because of a lack of vocational facilities and a shortage of trained instructors.

A significant broadening of vocational education is foreshown by the following Declaration of Purpose of Federal Legislation, which has passed both Houses of Congress:

It is the purpose of this Act to authorize Federal grants to States to assist them to maintain, extend, and improve existing programs of vocational education, and to develop new programs of vocational education, so that persons of all ages in all communities of the State—those in high school, those who have completed or discontinued their formal education and are preparing to enter the labor market, those who have already entered the labor market but need to upgrade their skills or learn new ones, and those with special educational handicaps—will have ready access to vocational training or retraining which is of high quality, which is realistic in the light of actual or anticipated opportunities for gainful employment, and which is suited to their needs, interests, and ability to benefit from such training.⁴

The matching funds required from the State of New Jersey, to qualify for federal allotments, will total approximately \$1,500,000 the first year. Federal appropriations to be matched by state funds will be quadrupled by 1966-67. Adequate and expanded programs of vocational education will thus require increased state as well as increased county and local expenditures earmarked for vocational education.

Problems of the Older Cities

One out of every six pupils in the public schools of New Jersey attends school in six of the older cities: Newark, Paterson, Jersey City, Camden, Elizabeth and Trenton. These are in addition to other thousands who go to school in smaller older cities.

³The New Jersey State Department of Conservation and Economic Development.

⁴H.R. 4955, 88th Congress, 1st Session, p. 1.

Many families with crippling educational and economic disadvantages live in these cities. Many adults in this group have had less than five years of schooling, including the more than 90,000 who, in 1960, had never attended school. Their income level is low and the expectations of their children are also frequently low. Regrettably, the school experience of these children too often fails to raise their low expectations. This group is the main source of the 16,000 male youths of New Jersey who were neither in school nor employed in 1960. The *Newark News* was referring to this group when it reported: "There are 10,000 idle, frustrated youths between the ages of 16 and 21 in the Newark area. They are neither in school nor working. They constitute the greatest social crisis the area has known."⁵

The condition of the severely disadvantaged in the older cities of the United States has been described as "social dynamite" and even when they remain in school the educational needs of these disadvantaged children and youths are seldom adequately met. Perhaps the most urgent of these needs are:

- a. Smaller classes in many schools
- b. Varied vocational opportunities and expert vocational counseling
- c. Auxiliary services: psychological, social and medical
- d. Coordination and cooperation between school and community agencies
- e. Creative teaching and administration
- f. Nursery schools as an extension of the public school system.

Improving the Transition from School to Employment

Youths who drop out before completing high school often encounter severe handicaps in securing employment. They lack vocational training and work experience and enter a labor market in which the unskilled are less and less in demand. (See Chart VI.) Hence they swell the ranks of the unemployed and some drift into delinquency. This situation threatens to become even more serious, since the number entering the labor market is increasing more rapidly than the number of new jobs.

It is no longer enough, under the changing occupational requirements of today, that youths merely attend a conventional school up to age 16 or 17 if neither employment nor additional training is open to them. Employers in today's labor market usually demand greater maturity than those aged 16 to 20 have commonly attained. The public and the schools should be made to recognize their responsibility for effective articulation among school, job-training and occupational commitment to

⁵*Wasted Youth*, A series of articles by Bob Palmer, *Newark News*, March, 1963. Reprint. p. 1.

all youths up until the time they have made a successful transition from high school to employment or to continued education and training in a two or four year post-high school institution.

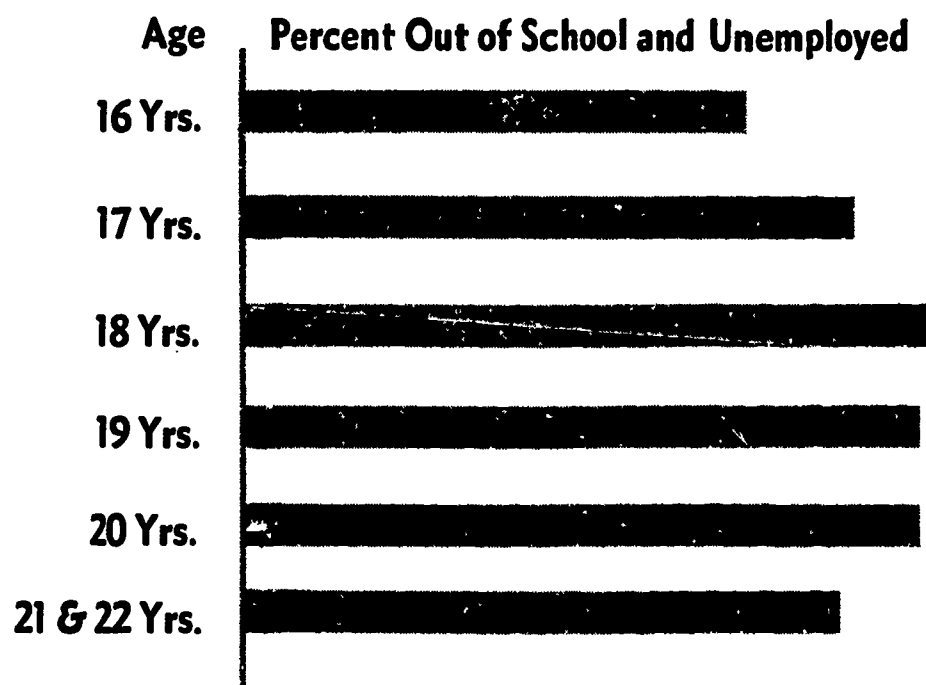
The Under-educated Adult

The under-educated adults in the New Jersey population constitute another major problem. One quarter of a million are functional illiterates. Many of these adults cannot profit from occupational training or retraining until literacy has been achieved. This need can be met by using school facilities and staffs in the evenings.

While many local school systems have adult education programs there is serious need not only for increased state support but a greater effort must be made to pattern curriculum to the needs of the functional illiterate.

Chart VI

**Percent of New Jersey Males Aged 16-22,
Out of School and Unemployed, 1960**



Data from: U.S. Department of Commerce, Bureau of the Census.

Need for Two-Year Colleges

The case for the two-year community college in New Jersey has already been made.⁶ This type of institution is now possible by virtue of permissive state legislation. Only financing stands in the way of the rapid development of this much-needed addition to the structure of the state school system. The two-year colleges will permit transfer at the end of two years to four-year colleges and universities. Quite as important, if not more so, is the provision of two-year terminal programs leading to employment at technical and sub-professional levels, where employment demand now exceeds supply.

Two-year colleges would also provide evening retraining programs for adults who need refresher courses to bring old skills up to date as well as for those who must learn new ones. These colleges would complement the use of vocational school facilities for this purpose. The two-year college can be a community center for adult education in its many phases. Funds invested in the construction of facilities and the operation of these institutions would prove to be one of the soundest investments the state can make.

THE STATE DEPARTMENT OF EDUCATION

The general direction of the schools of the state is entrusted by law to the State Board of Education and the Commissioner of Education. The State Board of Education is charged with studying the needs of the schools and with reporting to the Governor and legislature concerning such needs. It is charged with advancing the education of people of all ages. In carrying out such responsibilities, the State Board relies upon the Commissioner and his staff for necessary information, for policy recommendations, and for educational supervision and leadership.

In recent years the legislature has entrusted to the Department of Education new and broadened programs embodied in legislation. Included are an extensive scholarship program, a student loan program, provisions for the education of the mentally and physically handicapped and of the emotionally disturbed child, and the formulating of rules and regulations for the establishment and development of the two-year community colleges.

Problems of racial integration bear heavily on the Department as civil rights questions continue to arise in some school districts.

The annual investment in public education in New Jersey is a sizeable sum. The Department of Education should have sufficient professional personnel and financial support to enable it to carry out its responsi-

⁶New Jersey State Department of Education. *Education Beyond High School: The Two Year Community College*, 1961.

bilities effectively. A modern Department of Education needs a research staff which can bring facts to bear upon present and future school needs. Such a staff should also be adequate to appraise the results of present practice and experimentation.

One of the recommendations in the *Tenth Report of the Commission on State Tax Policy* calls for an Emergency Fund of the Commissioner of Education amounting to \$250,000 annually; this sum would be used for "special studies, pilot projects and assistance for districts having special problems."⁷ Use of such a fund would pay high dividends in improving the schools of the state. Alert business organizations, comparable in size and complexity to the public school system of New Jersey, spend for similar work within their individual establishments, many times the amount now available for appraising the effectiveness and projecting the needs of these schools.

A GENERAL IMPROVEMENT PROGRAM

In many respects education needs a new orientation—not only in New Jersey, but throughout the country. The orientation of our schools has been directed in recent years by conceptions of the post-sputnik era. These need to be examined with a critical eye.

Education must be relevant to the age in which we live. It must also be relevant to the lives, the experience, the needs and the purposes of the pupils in the schools and it must be relevant to the great ideals which have shaped and moved the nation.

The scope and purposes of education cannot be limited to any one emphasis such as intellectual development or vocational training. An educational program must be developed which ministers to the well being of all rather than to a select few chosen on the basis of academic promise or social status. A developing program must envisage a wide range of aptitude and opportunity. It must take full account of the rising significance of education in the individual and social progress of a people. This calls for educational opportunity so broad that it cannot be confined to any one area of knowledge or human concern. The emphasis will differ for different individuals.

The kind of education we need—in New Jersey and elsewhere—also calls for a new order of teaching. It calls for creative and understanding teachers in every classroom who give of themselves as well as the subject matter they teach. It calls for continuing study by the school staff of the community and the pupils whom they teach. In the words of the Report of the White House Conference on Education: "The talent of each child is to be sought out and developed to the

⁷ State of New Jersey Commission on State Tax Policy. *Tenth Report of the Commission on State Tax Policy*, 1963. p. 65.

fullest. This new ideal for the schools . . . recognizes the paramount importance of an individual in a free society."⁸

The kind of education we must strive to achieve cannot be accomplished by imposing a rigid curriculum, narrow in scope. On the contrary, the diversity among pupils and the variety of talents to be discovered and nourished require a curriculum that is broad and flexible. The kind of education we need cannot be accomplished by prescribing subject matter which is prepared by persons who do not know the community, its teachers nor its pupils, but who expect mastery of the subject matter they prescribe to be the basis for estimating the success or failure of pupils in the schools.

Education for our age and our society must be more, not less, personal and individual. Educational questions more than ever need to be stated in terms of the human equation. The demands of our own society and our position in the world, as defenders of freedom and the principles of self-government, require that every pupil in the schools be helped by every means possible to function at his best.

Our society cannot afford to have an education which spawns a million dropouts a year, more than 17,000 of whom in 1961 dropped out of New Jersey schools. It cannot any longer afford to have an education which leaves millions in school who might just as well be dropouts as far as their motivation and maturation are concerned. Schools at all levels and in all communities must be better tuned to individual capacities and to individual objectives.

To meet the problems and challenges described above, the schools must be staffed with persons of competence, vision and human understanding. Recruiting this kind of person is difficult. The qualities required for a fine teacher are those which are also at premium in other occupations. New Jersey will need to pay competitive salaries to induce good teachers to remain and put their best efforts into their service.

A system of public schools of the scope and quality described above will require substantial increases in expenditure. Is the pattern for financing public education in New Jersey adequate to provide the funds for the services required? The next section deals with this question.

⁸*A Report to the President: The Committee for the White House Conference on Education*, 1956, p. 9.

III

The Existing Pattern of Public School Finance

New Jersey ranked third among the 50 states, in 1962-63, in per pupil expenditures for public schools. Does this high rank indicate that present arrangements for financing New Jersey's schools are satisfactory? An answer to this question requires an examination of two major factors which influence public school finance—not only in New Jersey, but in virtually all of the states: the program of state support, and the method of providing revenues at the local or district level.

THE ROLE OF STATE GOVERNMENT

New Jersey, as do most states, divides responsibility for the financing of public schools between the state and local levels of government. By so doing, local interest and action in education are preserved. But the state must exercise certain key responsibilities if adequate support is to be available to *all* communities. Such state action is called for under New Jersey's Constitution, which states:

The legislature shall provide for the maintenance and support of a thorough and efficient system of free public schools for the education of all children between the ages of five and eighteen years.

Even if this mandate to the State Legislature were nonexistent, state action would be imperative to guarantee adequate educational opportunity for all at a reasonable and equitable cost to local taxpayers.

Thus, it is clear that—in New Jersey, as elsewhere—the final responsibility for financing of public schools rests with the state level of government. In meeting this responsibility, the individual states have taken a number of definite but differing actions.

The State Foundation Program

Generally, however, the states have set some foundation or minimum of financial support per pupil. This is essential if children in all localities are to enjoy acceptable educational opportunity.

What does New Jersey do in this regard? In 1955, it established a foundation of financial support at \$200 per pupil. This amount has not been changed to date, leading the Tax Policy Commission of New Jersey in 1963 to state bluntly that "the foundation program (of New Jersey) is no longer realistic."¹ The fact is—no school district in New Jersey now expends as *little* per pupil as \$200 a year.

New Jersey also has a state program for school building construction. When this program went into effect, in 1955, median housing costs were \$27.40 per pupil per year. They rose to \$58.43 in 1960-61.² However, the New Jersey state building aid formula remains unchanged—despite the fact that it is entirely inadequate, in the light of increased school building costs.

PUBLIC SCHOOL EXPENDITURES AT THE LOCAL LEVEL

The state foundation program of \$200 referred to above is not all paid from state funds. Rather, if a five mill tax (50¢ per \$100) on equalized (full) value of local real property in a school district does not raise \$200 per pupil, the state merely provides the difference. If the five mill tax raises \$200 in a school district, the state pays a flat amount of \$50 per pupil.

The Rising Local Share of School Costs

The effects of this obsolete and inadequate pattern of public school finance make it inevitable that the rising costs of public schools in New Jersey today fall more and more on real property. The locality must not only levy the five mill tax toward financing the \$200 foundation amount; it must also raise by local taxation any expenditure *above* \$200 per pupil. Since the average per pupil expenditure in New Jersey in 1961-62 was \$440,³ it is obvious that the schools are mainly financed by the locality.

The share borne by taxes which the state levies is relatively light, and has remained constant at an average of about \$90 per pupil since 1957. During the same period *local* school taxes have increased an average of \$100 per pupil. This situation is largely responsible for the fact that "New Jersey now has the highest per capita general property tax burden in the United States."⁴

¹State of New Jersey Commission on State Tax Policy. *Tenth Report of the Commission on State Tax Policy*, 1963. p. 63.

²Ibid.

³This figure includes only current expenditures of day schools, based on average daily enrollment. It does not include cost of teachers' pension and annuity fund.

⁴Ibid, p. xvii.

Inequitable Distribution of Tax Burden

Inequity or unfairness in taxation is a second result of present tax policy in New Jersey. As the State Tax Commission put it:

This state (New Jersey) ranks favorably in total tax burden . . . it is the maldistribution of that burden that is the nub of the problem.⁵

The limitations of the present pattern of school finance in New Jersey are not fully revealed until the situation in individual districts is analyzed. There is an amazingly wide range in local tax rates for public schools. This largely results from wide differences in local tax capacity. Equalized property valuations per pupil in average daily enrollment in New Jersey range from under \$5,000 in some districts to over \$100,000 in others. The state average in 1961-62 was \$30,351.

Such a wide range in taxable capacity inevitably, in the absence of substantial state funds, results in wide disparities in local tax rates for schools. These rates in New Jersey range from more than \$3.00 to less than 25¢ on \$100 of equalized property valuation—a local tax rate variance of more than 12 to 1. The *average* local tax rate for schools in 1961-62 was \$1.55 per \$100 of equalized property valuation.

Extremes in Per Pupil School Expenditures

The wide disparity, between pupil enrollment and ability to finance their schooling, found in different localities results in extreme differences in per pupil expenditures in different school districts. The two following examples illustrate this situation.

District A in New Jersey finances a school program costing \$774 per pupil on a tax levy for schools of \$1.04 per \$100 of true valuation. This cost is \$334 above the per pupil average in New Jersey in 1961-62. However, this relatively high per pupil expenditure is financed on a local tax rate which is 51¢ lower per \$100 of equalized valuation than the average in the state.

District B supports a per pupil program costing \$371, which is \$70 less than the state average. Its tax rate, however, is one-and-one-half times the state average, and more than twice the tax rate of District A.

Variations in per pupil costs in New Jersey range from less than \$250 to more than \$800. Such disparities, after taking full account of differing local conditions, add up to indefensible inequality in educational opportunity.

⁵Ibid, p. 25.

The New Jersey Tax Commission in its 1963 report concluded that:

Despite the high rank of New Jersey in average annual cost per pupil, there are many school districts in the State which fall below the minimum necessary for an adequate school. There are also many in which the taxpayers are forced to make excessive sacrifices to provide an acceptable educational program.⁴

School Finance Program Out of Date

The foregoing analysis shows that present arrangements for financing public education in New Jersey are deplorably out-of-date and inadequate. The high average expenditure per pupil in New Jersey conceals more than it reveals. This average hides a wide range of expenditures per pupil between different communities. Some fortunate school districts, with high local tax capacity, are able to support their schools at a relatively high per pupil cost.

Other less fortunate districts, with meager local tax capacity, finance their schools at a level which adds up to denial of acceptable educational opportunity. In between, the majority of school districts finance their schools at a level below that required for quality education.

The general inadequacy and disparity in financing public schools result in inequality of educational opportunity for the children and youths of New Jersey. In addition, there is extreme inequity in the tax rates levied for schools in different localities.

New Jersey must correct these conditions if its present system of public schools is to be adequately financed. New Jersey must also face the question of what is to be done about educational needs now being largely or wholly neglected, which—if *further* neglected—will intensify existing social problems. These matters will be dealt with in the next section.

⁴Ibid, p. 30.

IV

Updating Public School Finance in New Jersey

The experience of the several states during the past half century has laid down some fairly definite guidelines as to what the state level of government must do to insure adequate financing of public schools in all localities.

ESSENTIAL STATE FINANCIAL ACTION

Exactly how poorly financed are the schools which the State of New Jersey is willing to tolerate in some districts? Or, to put it another way, what quality level of education do the people of New Jersey desire for all children and youths? In setting the foundation support per pupil, a state rather clearly answers the foregoing questions.

As we have seen, New Jersey now requires a foundation or minimum of financial support of \$200 per pupil. Thus, it would appear that—insofar as New Jersey is on legislative record as a state—it is willing to have its children attend a \$200 per pupil school. The inadequacy of this minimum, set nearly a decade ago, is generally recognized today.

Providing Adequate Foundation Support

What, then, should be the foundation amount of support per pupil in the State of New Jersey? Certainly, more than the present \$200. The *Tenth Report of the Commission on State Tax Policy* proposed \$350.¹ This would appear to be a minimum amount. Three-fourths of the school districts of New Jersey actually expended \$400 per pupil or more in 1961-62. Such an expenditure, although low if the aim is to finance a first-rate school program, requires excessive local tax rates in some districts. A \$400 per pupil state foundation program, along with other appropriate improvements in the state school finance formula, would be a major step toward bringing the New Jersey pattern for financing its schools up-to-date.

In any case the state-aid formula, as was stated in both the *Seventh* and *Tenth Reports* of the Commission on State Tax Policy, is bound

¹Ibid, p. xviii.

to get out of balance unless it is periodically reviewed and revised. For example, the New Jersey formula of 1956-57 brought 23% of school costs from the state. Five years later, in 1961-62 this dropped to 18%. This figure of 18% is less than one-half of the school revenue provided, on the average, from state taxes in the 50 states in 1962-63.

Provision for a periodic review would permit state and local educational authorities to plan and operate a school program which in scope and quality is appropriate to the educational demands of the state.

Providing Adequate School Building Aid

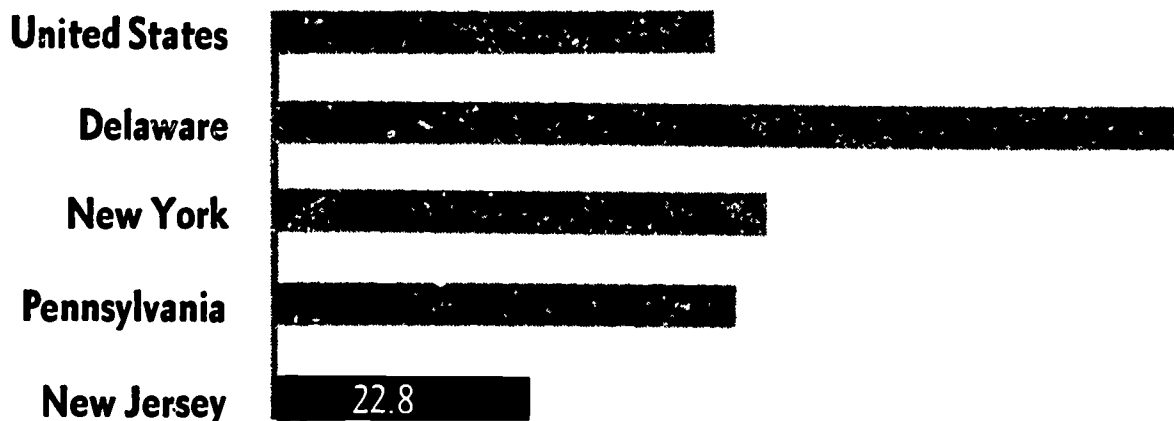
The *Tenth Report* of the Tax Commission recommended that state funds for school buildings and other capital purposes be increased from the present \$30 to \$45 per pupil enrolled. Such an increase would appear to be minimal considering the increases in school plant costs since the \$30 amount was established in 1955.

A Lagging State Support Program

The state government of New Jersey today falls far short of providing an adequate pattern and amount of state school support. Chart VII compares New Jersey with the average for the United States and with adjoining states as to percent of school revenue received from the state level of government in 1962-63. Only eight of the 50 states now provide a smaller percentage of state funds to their public schools than does New Jersey.

Chart VII

Estimated Percent of Revenue for Public Elementary and Secondary Schools Received from the State Government, 1962-63



Data from: Research Division, National Education Association, Estimates of School Statistics, 1962-63. p. 29.

Compounding the problem further, there is presently a one-year lag between the enrollment figures used in making general state aid allotments, and a two-year lag in allotments for state school building aid. These lags put communities with rapidly increasing school enrollments at a double disadvantage. They have to deal with the special problem of rapid growth in school population, but are allotted state aid on the basis of an earlier and smaller rather than a current and larger school enrollment. This problem can be readily corrected in a state-aid formula, as some other states have done.

ESSENTIAL LOCAL FINANCIAL ACTION

As pointed out earlier, the New Jersey foundation formula requires that the state provide a school district the difference between what a five mill (50¢ per \$100) tax will raise on equalized valuation of property and the amount represented by \$200 per pupil in the district. The local share of the \$30 school building allotment is one-half mill or 5¢ per \$100 valuation.

These are nominal local tax rates. Only 32 school districts of the state now levy less than a ten mill tax rate for schools. Most local tax rates in the state now vary from less than 25¢ to over \$3.00 per \$100 of equalized property valuation.

There is general recognition, however, that the higher local tax rates are inequitable and result in unfortunate economic effects.²

Some increase in the required local rate of five mills in financing the foundation program would appear to be in order. The *Tenth Report of the Commission on State Tax Policy* recommended a local eight mill tax. Such a tax along with a state foundation amount of somewhere between \$350 and \$400 per pupil would put both the rural school districts with low taxable resources and the older central cities in a much better position to meet the severe financial difficulties they now encounter. The financial situation in other school districts would also be substantially improved—both as to adequacy of financial support and equity in tax burden, assuming appropriate revision of the state tax structure.

Allotments to Districts of High Tax Capacity

Under a well planned system of state-local support of public schools, there will usually be certain districts with very high property valuations which will raise the full amount of the state foundation per pupil on the required local tax rate. These districts now receive a flat grant

²Ibid, p. xviii.

of \$50 per pupil under the present New Jersey formula. Since mistakes are often made relative to the amount of state support provided to these important districts, several considerations should be kept in mind in dealing with them.

First, these districts are usually in the vanguard of educational development. They provide the kind of superior schooling that all parents would like to have for their children. By so doing, and by introducing and trying out educational innovations (which, if successful, are ultimately adopted by other communities) they exercise educational leadership of great value to the state.

Second, these districts, under an equitable tax system, contribute a full and fair share of state school revenue, and cannot, as a result, be blamed for feeling that they should have some allocation for extra effort under the state school-support program.

Third, it is important that these influential districts should have an active interest in state educational activities, as regards both program and finance. This is more likely to exist if they have a specific stake in the *allocation* as well as in the *collection* of state revenue.

Finally, the state cost of providing a flat grant such as \$75 to these districts would be minimal, and would therefore increase total state allocations to schools by only a small percentage. The benefits to the state as a whole, stemming from the contributions which these districts can make to educational progress when they are covered under the state support formula, will far exceed the small cost of granting them some reasonable allocation of state funds.

Local Tax Leeway Above the Required Rate

The required local tax rate to receive state funds, whether it be eight mills, ten or some other rate should be a nominal, minimum rate. The localities should be free, as at present, to levy local taxes above the required rate if that is their decision. Since 521 of the 594 school boards submit their school budget requests directly to the voters of the district at an annual school election, and proposed bond issues are passed upon by voters at special referendums, there is adequate protection of the taxpayer. The other districts also have adequate guards against unwarranted school expenditures.

Such a situation permits local interest and initiative to play a significant role in the evolution and financing of public school programs. This is a highly desirable element in the American public school tradition.

Cost of Modernizing School Finance in New Jersey

Estimates for the school year 1962-63 indicated that a state foundation program of \$400 per pupil with a local tax rate of ten mills

would require approximately \$135 million in state support,³ as compared with \$74 million of state support actually distributed in 1962-63. It was also estimated that a foundation program of \$350 per pupil with a local eight mill tax would involve approximately the same increase in state school support. The figures for 1964-65 would be larger than the foregoing estimates for 1962-63 due to increases in enrollment and other factors. The chief other factor would be bringing the aid up to current enrollment figures rather than to base them on the previous year's enrollment which is the existing pattern.

The state's contribution to school building costs was \$16 million in 1962-63. If a school building program of \$45 per pupil on a three-fourths mill tax levy had been in effect in 1962-63, it would have increased the state's share by \$7.9 million. An additional \$2.2 million would have eliminated one year of the two-year time lag in the program as it affected state aid for school buildings. Action on these items for 1964-65 would require more than the foregoing estimates for 1962-63.

Educational Benefits of an Adequate School Finance Program

The present wide variations in per pupil school expenditures in New Jersey are now reflected in similar differences in educational opportunity.

As shown in Table 1, 17 school districts, with an average equalized property valuation of \$17,307, are taxed at an average full value rate of \$1.60 per pupil. This provides a per pupil expenditure of less than \$300 in these 17 districts. In these districts the pupil-teacher ratio is relatively high. Salaries paid teachers are low. Professional personnel for educational and vocational guidance, for remedial reading instruction, for physical education and the like are at a minimum, as are expenditures for school books and other instructional materials.

At the other end of the scale are nine school districts with an average equalized property valuation of \$45,079 per pupil. Taxed at only \$1.30 per pupil, 30% less than in the districts of the preceding paragraph, these nine districts expend \$600 more per pupil. They are financially able to provide superior personnel and facilities.

The districts in New Jersey with higher per pupil expenditures can pay salaries which attract better teachers, can provide special services for both normal and handicapped pupils, can support instruction with more textbooks and other teaching materials and can give

³The state support required in 1962-63 would have been approximately \$150 million if the time lag (referred to earlier) in allotting state aid had been corrected, and a \$75 per pupil minimum for school districts of high property valuations had been included in the state foundation support program.

Table 1
A Comparison of School Programs by Current Expenditure Per Pupil
1961-62

Expenditure Per Pupil	Number of Districts ¹	Average School Tax	Average Equalized Property Valuation	Prof. Staff Per 1,000 Weighted Pupils	Teachers Salaries— Cost Per Pupil	Textbooks— Cost Per Pupil	School Library & Audio-Vis.— Cost Per Pupil	Teaching Supplies— Cost Per Pupil	Pupils Per Teacher
1	2	3	4	5	6	7	8	9	10
Less than \$300	17	\$1.60	\$17,307	36.6	\$168	\$4.89	\$1.09	\$ 5.26	29.6
\$350 - \$360	18	1.60	24,545	38.0	207	4.73	1.76	7.45	26.4
\$400 - \$410	26	1.67	30,137	45.2	244	5.52	2.5	8.58	23.3
\$450 - \$460	19	1.57	30,967	45.9	253	7.08	2.74	10.36	23.0
\$500 - \$510	19	1.33	43,990	49.4	288	6.33	3.32	9.94	21.2
\$550 - \$560	8	1.58	41,216	53.2	295	5.30	3.22	10.69	20.1
\$600 - \$620	9	1.30	45,079	54.8	352	6.88	5.07	15.25	19.1

¹ Note that the expenditure levels in Column 1 are discontinuous. Only enough are included to illustrate the situation at various expenditure levels.

Data from: New Jersey State Department of Education.

more attention to individual pupils by keeping the pupil-teacher ratio at an acceptable level. These are possible in all school districts under an adequate state-local program of public school support.

The financial program of a state should also be fair and equitable in the distribution of the tax load among the various types of taxable resources in the state.

Adequate educational opportunity for all plus fairness in the tax structure are the goals. They cannot be reached under the present pattern of school finance in New Jersey.

Areas of Education Neglect

This section thus far has dealt only with the adequate financing of the present system of public schools. There are other pressing educational needs in New Jersey which should be taken into account. These include a much more effective program of vocational education, as is anticipated in the recently passed federal legislation. This will require state matching funds. Special programs to salvage those who, at age 16 and 17, become dropouts and who are neither in school nor employed, are imperative. A program for disadvantaged adults involving some education and training or retraining is essential. The financing of a program of two-year colleges has been strongly recommended.⁴

The amount required to finance essential educational programs such as these would be small relative to the total cost of adequate public school support. More importantly, the social cost of continued neglect of these needs could be large and cumulative in its impact.

Can New Jersey provide for better financing of its existing public school program and for essential, additional, educational needs? This question is dealt with in Section V of this Report, from the point of view of fiscal capacity and tax effort.

⁴New Jersey State Department of Education. *Education Beyond the High School: The Two Year Community College*, 1961.

V

How to Meet the Cost of Quality Education in New Jersey

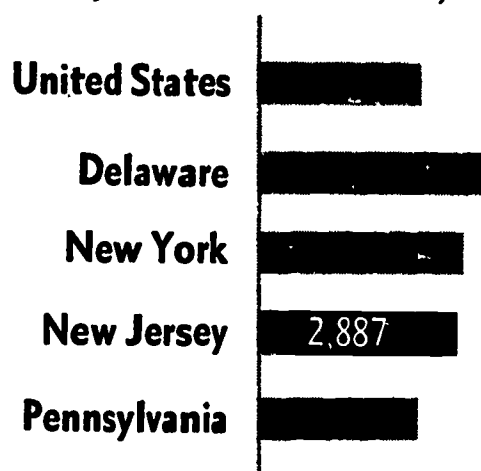
New Jersey has reached a stage of development which requires a system of public education which is first rate both in scope and quality. Substantial increases in the financial support of its public schools will be required if they are to meet the demands of this dynamic state. Can these funds be raised? The answer depends on several considerations.

Fiscal Capacity of New Jersey

A major factor affecting a state's ability to finance public undertakings is its fiscal capacity. By fiscal capacity is meant the resources which a state can tax to obtain revenue for public purposes.

Various estimates of the fiscal capacity of the states have been developed. The one which is generally accepted is per capita personal income. (See Chart VIII.) Some authorities have also used personal

Chart VIII
Per Capita Personal Income, 1962



Data from: Governmental Finances in 1962, U.S. Department of Commerce, Bureau of the Census, 1963. Table 24, p. 49.

income per child of school age, from age 5 to 17. (See Chart IX.)

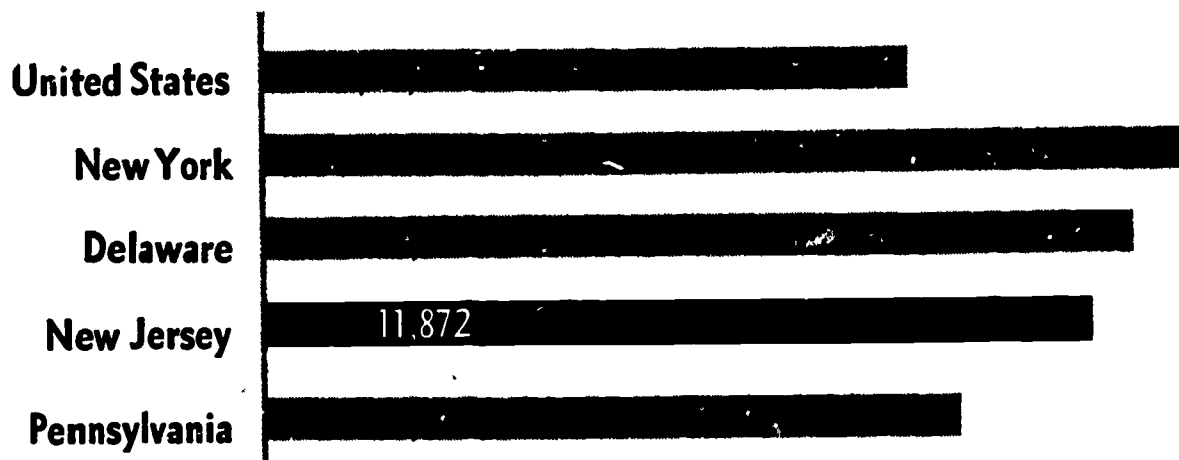
New Jersey has well above average fiscal capacity as indicated by per capita income. It ranks sixth among the 50 states. Delaware is first, New York fourth, and Pennsylvania eighteenth.

The fiscal capacity of New Jersey to finance public schools is also high in terms of personal income per child of school age. New Jersey ranks fifth, New York is first. Delaware is four and Pennsylvania thirteenth.

A second factor, which conditions a state's ability to finance public undertakings, is the tax effort it is already making.

Chart IX

Personal Income Per Child of School Age (5-17), 1961



Data from: Research Division, National Education Association, Rankings of the States, 1963. Table 51, p. 41.

The State's Present Tax Effort

Tax effort is the extent to which state and local governments use their taxable resources to finance public undertakings. Tax effort is measured by the ratio between state and local tax collections and personal income of a state.

Chart X compares the tax effort of New Jersey with the United States and with adjoining states. Comparatively, the tax effort of New Jersey is low. This conclusion agrees with the *Tenth Report of the Commission on State Tax Policy* of 1963:

The total burden of state and local taxes in New Jersey is moderate on a per capita basis when compared to other states, and is low relative to personal income, as compared to other states.¹

A federal study of 1962 compares state and local tax effort for all public purposes as shown by two measures of fiscal capacity, one based on income and the other on yield of a representative tax system. This federal study states that New Jersey is one of the states with "below-average tax effort regardless of which capacity index is used."²

The tax effort of New Jersey to finance state and local public services is low. How does the state rank as to tax effort in financing public schools?

Chart X

State and Local Tax Collections As a Percent of Personal Income, 1961



Data from: Research Division, National Education Association, Rankings of the States, 1963. Table 63, p. 49.

Tax Effort of New Jersey for Public School Support

Chart XI compares New Jersey with the national average and with contiguous states as to the percentage relation between public school revenue from state and local sources and personal income of the people of the state. New Jersey is making less tax effort to finance

¹State of New Jersey Commission on State Tax Policy. *Tenth Report of the Commission on State Tax Policy*, 1963. p. 15.

²The Advisory Commission on Intergovernmental Relations. *Measures of State and Local Fiscal Capacity and Tax Effort*, A Staff Report. Superintendent of Documents, Government Printing Office, Washington, D. C., October, 1962. p. 89.

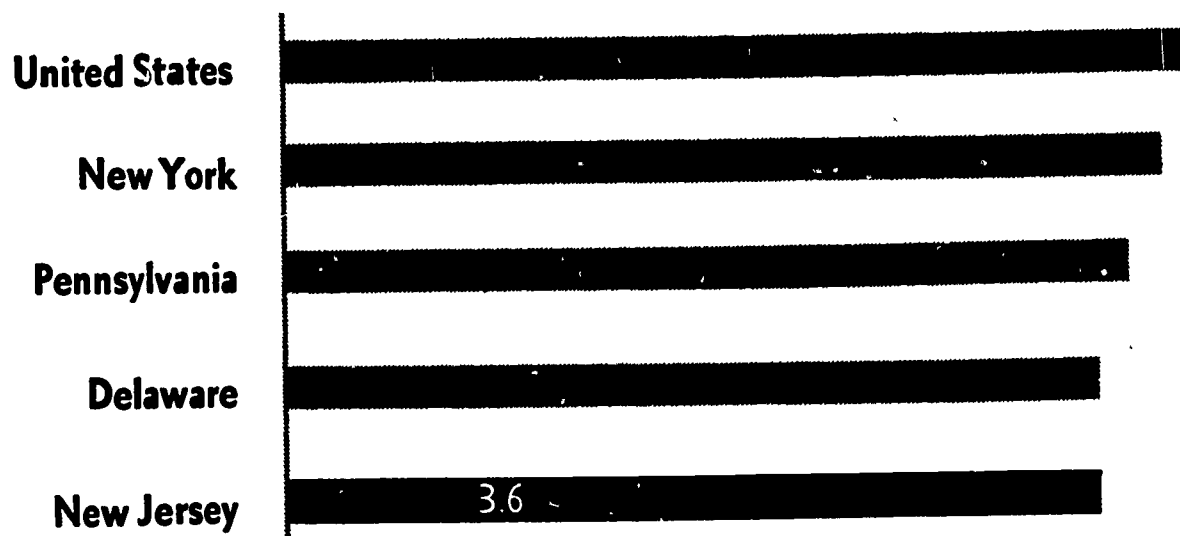
its schools than other states in general, ranking 38th in this respect. Of the adjoining states, only Delaware makes as low a tax effort to finance its schools as does New Jersey.

The tax effort of the states to finance public schools is somewhat affected by the percentage of children in non-public schools. These schools do not involve tax effort, but are paid for out of personal income. However, even if this factor is taken into account, the financial effort of New Jersey to pay for public schools is still below that of the United States as a whole.

What, then, needs to be done to secure the funds necessary to provide New Jersey with an adequate level of state support?

Chart XI

Public School Revenue from State and Local Sources, 1961-62 as Percent of Personal Income, 1961



Data from: Research Division, National Education Association,
Rankings of the States, 1963. Table 68, p. 51.

Raising the State's Share of Public School Revenue

At the turn of the century, as part of a basically agrarian economy, most states financed both state and local governmental undertakings mainly by taxes on real property. As the necessity for increased state support for various purposes—including public education—became evident, most states wholly or largely replaced state property taxes with other types of state taxes. This was necessary both to secure the needed revenue and to make the securing of revenues more equitable.

The two state taxes which yielded the highest per capita revenue in the states which levied them in 1960 are listed below.⁸

1. State General Sales or Gross Receipts Taxes. Thirty-four states levy this tax. The average per capita yield for these states was \$36.03 in 1960. New Jersey does not levy this tax.

2. State Individual Income Taxes. Thirty-three of the 50 states levy this tax. They obtained an average per capita yield of \$21.76 in 1960. New Jersey does not levy this tax either.

Twenty of the 50 states in 1960 levied *both* a tax of the sales or gross receipts type and an individual income tax.

The New Jersey Commission on State Tax Policy, after pointing out that during the next ten years "large additional revenues over and above present revenue sources" would be needed, stated that:

The Commission does not believe that these revenues can be soundly obtained except by a broad-based tax. Although some members of the Commission believe a personal income tax to be preferable to a sales tax, since a majority consider a sales tax preferable, the Commission unanimously recommends⁹ that the State raise the funds required for the essential purposes of this Report by levying a sales tax with sales of food and prescription medicine exempt.¹⁰

Another and perhaps more equitable alternative would be to put *both* of these taxes into effect at rates lower than would be necessary if only one were enacted.

New Jersey is a wealthy state in an opulent nation—yet its expenditures for local and state services in general, and for public schools in particular, require low tax collections relative to personal income. New Jersey, obviously, is in a position to increase its support of public schools and thereby bring them into line with the demands being made upon them.

⁸National Education Association. *Nine State Taxes: Rates and Collections*. Washington, D. C., January, 1961. pp. 35 and 37.

⁹Except as stated in Assemblyman Matthew's Minority Statement.

¹⁰State of New Jersey Commission on State Tax Policy. *Tenth Report of the Commission on State Tax Policy*, 1963. p. xxi.

VI

Education As Investment

A MATTER OF CHOICE

New Jersey must increase its expenditures for public schools if they are to meet the demands being made upon them. New Jersey has the resources to pay for the required expenditures. Will it choose to do so? That is the issue.

In making this choice, the citizens and their representatives in the legislature would be wise to consider new facts and insights as to the role of education in the social and economic growth of a people.

Too often in the past outlays for education have been looked upon merely as a levy against the economy. Cuts in school budgets have been hailed as "savings." This conception of the significance of education has been challenged by a number of economists in recent years. One of the most notable studies concludes that "the concept of capital and capital formation should be broadened to include investment in health, education and training of the population itself—that is, investment in human beings."¹

Economists are concluding that the well-being and progress of a people demand investment in developing human capability. Such investment is viewed by many economists as more important than investment in physical capital.

Education as Investment—The Evidence

The study of expenditure for education as investment has been accelerated by efforts to improve the lot of under-developed nations and to step up the rate of economic growth in the developed nations. The findings in this regard are summed up by Coombs:

The spotlight of attention in social and economic development—not only in Africa, Asia and Latin America but in advanced nations as well—has been shifting lately to education.

¹Kuznets, Simon. *Capital in the American Economy, Its Formation and Financing*. (A study by the National Bureau of Economic Research), Princeton University Press, Princeton, N.J., 1961, p. 390.

Economists, world bankers and local development planners have become more acutely aware that a society can only achieve sustained economic growth and build viable social and political institutions if it invests adequately and early in the development of its people's talents.

Only a few years ago it would have been unthinkable to suggest to lenders that people are as good an investment as a fertilizer factory or a highway. The shift of attitude and policy has resulted not from soft-headed sentiment but from hard-headed analysis of practical experience.

In a host of situations all over the world including many developed countries, the major bottleneck to development is the shortage not of money but of educated manpower.²

Back of this statement is an increasing array of evidence. On the world scene, there is the fact that one can fairly well estimate the status of a nation by such a simple measure of educational attainment as its percentage of literacy. No nation with low educational attainment has achieved high per capita income.

All nations with well developed school systems have relatively high incomes. Some studies claim that schooling must precede or at least accompany economic growth if such economic growth is to be achieved and sustained. Natural resources are not the key factor. Many of the poorest nations have vast natural resources. The opposite is also the case.

The rapid recovery of Europe following World War II would have been impossible without its capital in educated and trained people. The remarkable use made of education by the USSR and Japan in achieving a high rate of economic growth has attracted world-wide attention. These examples contrast sharply with the laggard progress of nations which have failed to develop their human capital.

The relation of education and economic well-being found throughout the world is also present within the United States. The states which have done most to develop their human resources through education have high per capita incomes regardless of the extent of their natural resources. The reverse is also true. The most serious internal social problem of the United States today has its roots in the failure to provide educational opportunity for some of its citizens. It is now recognized that one of the indispensable elements which must enter into a solution of this social problem is equalization of educational opportunity as well as increased quality of education at all levels.

²Coombs, Philip H. (Director, International Institute of Educational Planning) "Education's Role in the Developing Nations," *Saturday Review*, August 17, 1963, p. 29.

Some Pertinent Studies

A number of studies have pointed out the high correlation between amount of education and individual income.³

The same relationship exists between education and family well-being. A study at the University of Michigan arrives at these conclusions:

One explanatory factor looms above the others in determining family income: the level of formal education of the head and his wife.⁴

In general then, the evidence is consistent in showing a pattern by which education determines income and ability to plan ahead, which in turn affects the family's future income, and in turn the education of its children, and in turn the children's income and propensity to plan ahead.⁵

Denison's study for the Committee for Economic Development points out that:

Education directly benefits individual welfare and improves the individual's ability to participate wisely in social decisions, and these are probably even more important than its effect in raising income, large though this may be.⁶

Schultz has recently summarized studies dealing with the economic value of education. From the evidence which he presents he concludes that:

... the picture is that schooling and advance in knowledge are both major sources of economic growth. It is obvious that they are not natural resources; they are essentially man-made which means that they entail savings and investment. Investment in schooling is presently, in the United States, a major source of human capital.⁷

New Questions for Old

Gideonse has pointed out that recent study of the relation of education to productivity is changing the questions asked about financing schools. The old questions addressed to fiscal authorities assumed certain limits set by the existing economy as to how much could be

³ Miller, Herman P. "Annual and Life Time Income in Relation to Education," *American Economic Review*, 50:5; December, 1960.

⁴ Morgan, James N. and others, *Income and Welfare in the United States*. McGraw-Hill Book Company, Inc., New York, 1962, p. 5.

⁵ Ibid, p. 444.

⁶ Denison, Edward F. *The Sources of Economic Growth in the United States and the Alternatives Before Us*. Committee for Economic Development, N.Y., N.Y., 1962, p.77

⁷ Schultz, Theodore W. *The Economic Value of Education*. Columbia University Press, New York, 1963, p. 46.

expended for the support of education. Now a different type of question is being raised:

The new questions are similar to those formerly asked about the investment of physical capital. Is our rate of investment in human capability—that is to say, in education—adequate if we wish to accelerate the rate of economic growth? Is it even high enough to preserve the status quo? Can the pool of talent be expanded by modern techniques of education, of selection and screening of potential talent, and how can talent of a second- and third-rate category be developed to optimal use? Is the present distribution of the types of human investment defensible from the standpoint of maximizing returns? Are we producing geologists, engineers, mathematicians, doctors, and teachers of all types and in the proportions that are most effective in promoting economic growth?⁸

The internationally known economist, Gunnar Myrdal, has recently stated "that the most important problem in the world today is how to move the American economy out of the automatism of relative economic stagnation."⁹ The relatively slow rate of economic growth in the United States must be stepped up. Otherwise, the leadership which the free world needs from the United States will be less influential than it should be. Myrdal points out that:

... the unemployment situation that is fastening itself upon the nation, and the creation of an American substratum of people that have not the education and training necessary to integrate themselves in progressive American modes of life and work, challenge the very tenets of American society.¹⁰

Huge investments in education are essential in overcoming poverty and in responding to technological developments which "continuously increase the demand for educated and highly trained workers and decrease it for the less well educated and trained. . ."¹¹

To achieve greater economic growth and full production there must be a stepping up of public investment in education, training and retraining "right from the start."

Otherwise scarcity of personnel with high levels of education and training will soon set a ceiling to the rise in production and most probably cause a recession long before anything in the neighborhood of full employment is achieved.¹²

Education is neither a panacea nor a cure-all for the pressing

⁸ Gideonse, Harry D. "Economic Growth and Educational Development," *College and University*, Summer, 1963, p. 426.

⁹ Myrdal, Gunnar, *Challenge to Affluence*. Pantheon Books. A division of Random House. New York, 1963, p. v.

¹⁰ Ibid, pp. 30 and 31.

¹¹ Ibid, p. 25.

¹² Ibid, p. 56.

problems which confront the United States. It is an indispensable element in solving these problems and in achieving the goals toward which the Nation strives. This is especially true in a highly industrialized state such as New Jersey to which technology has brought serious problems as well as substantial achievements.

For New Jersey—and many other states—it is, indeed, a matter of choice, and the decision cannot be long postponed.

"The secret of the fight for education is that it need not be won in a single national convulsion. It can be won by each individual committee member working steadily and intelligently in his own community at the local level. . . . On Main Street, in the City Hall, in the Capitals of the States, we members of the National Committee must each light his fires. They will spread from the States to the Congress once the fire begins to burn brightly in community after community.

"That is our hope. That is our purpose."

**MRS. AGNES MEYER, Chairman
First Annual Conference, NCSPS
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